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1. LI Tsung-jen cannot possibly accept the Chinese Communist demands, and must resist the Communist crossing of the Yangtze. PAI Chung-hsi is ready to defend Hankow. Nanking will be defended, and Shanghai will be safe for another two months.
2. The defending Nationalist troops have sufficient rations for two months, and will be paid in silver dollars, which will increase their morale.
3. When the Yangtze area defense fails, LI Tsung-jen and PAI Chung-hsi will defend Kweichow and Kwangsi Provinces, and possibly southern Hunan and Kiangsi. LU Han, CHANG Chun and LIU Wen-hui will defend the west; the MAS the northwest; and HU Tsung-nan the Shensi-Szechuan border areas. CHU Shao-liang, HSUEH Yueh and other generals loyal to Generalissimo CHIANG Kai-shek will defend the east coast and south China, and TANG En-po will defend Shanghai*.
4. Because this will cause piecemeal military control, and the Communists will be able to pick off the defenders one by one, some coordinating head and some reorganization of the plan are necessary. LI Tsung-jen cannot manage alone, but the Generalissimo cannot return to power unless requested by LI (which would occur only if LI admits his inability to carry on coordinated defense). Source believes a plan may exist for the Generalissimo to emerge from retirement.

25X1A6a * ~~CONFIDENTIAL~~ Comment. An untested but highly-placed independent source states that although TANG will defend Shanghai, his 400,000 troops will be a heavy drain on the city. Also the merchants will be forced to pay additional "squeeze" to TANG, and conditions will be so chaotic that the city will welcome Communist control.

25X1A6a ~~CONFIDENTIAL~~ Comment. These statements that TANG will defend Shanghai do not agree with ~~CONFIDENTIAL~~, which says he will use Shanghai for a withdrawal to Taiwan.

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